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RIYADH (AFFILIATE)

February 8, 2002

## **VIA ELECTRONIC FILING**

Mr. William F. Caton  
Acting Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, SW  
Washington, DC 20554

**Re:    Notice of Ex Parte Presentation**  
**IB Docket No. 01-185**

Dear Mr. Caton:

On February 6, 2002, Neil Dabney and John Stone, representatives of The Informal Noteholders Committee of Globalstar, L.P. (“Bondholders”), along with Tom W. Davidson and Phil Marchesiello, counsel for the Bondholders, met with Howard Griboff, Paul Locke, Douglas Webbink, James Ball, Tom Tycz, Breck Blalock, Gardner Foster, and Trey Hanbury of the International Bureau. The Bondholders presented the information contained in the attached presentation. We have redacted a small portion of the presentation which has not yet been publicly disclosed. We will file this material in a second ex parte notice after public disclosure.

Pursuant to sections 1.1206(b)(1) and 1.1206(b)(2) of the Commission’s rules, this letter is being filed with the Office of the Secretary.

Sincerely,

/s/ Tom W. Davidson, Esq.

Tom W. Davidson, Esq.  
Phil Marchesiello, Esq.

Attachment

**Presentation of the  
Informal Noteholders Committee of Globalstar, L.P.**

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**In Support of the Proposal of the  
Federal Communications Commission  
To Grant  
“Ancillary Terrestrial Component” Authority  
to Mobile-Satellite Service Licensees**

## **GLOBALSTAR**

- Established in 1994, Globalstar operates a 48-satellite Big LEO MSS satellite system. It's development and launch were funded with \$4.5 billion in debt and equity. The Bondholders contributed \$1.5 billion of this sum. In addition, Globalstar holds a 2 GHz MSS license.
- [Redacted.]
- The Bondholders believe that Globalstar's spectrum currently is drastically underutilized due to constraints in the addressable MSS market caused by high prices, large handsets, and limited reception.
- The Bondholders further believe that ATC will resolve all of these issues. Globalstar is capable of immediately constructing and launching an ATC network to realize the benefits of ATC in the short term.
- Because their satellites are in place, Globalstar can move quickly to implement ATC and fully realize the resulting public interest benefits.

# **OVERVIEW**

Grant of ATC will serve the public interest by:

- Dramatically expanding MSS revenues and subscribership by reducing MSS prices, reducing MSS handset size, and overcoming MSS reception limitations.
- Enabling MSS providers to more flexibly and efficiently use their existing spectrum assignments—to serve more people in more places.
- Improving the business case for MSS, thereby enabling the MSS industry to raise the capital necessary to construct replacement and new satellite systems.
- Accomplishing these results while remaining ancillary to MSS satellite services.

**ATC authority will expand the public interest benefits  
realized from MSS by enabling many more people to benefit  
from MSS.**

- ATC authority will increase consumer demand for MSS phones by:
  - expanding the addressable consumer base to include the millions of urban and suburban Americans that traverse regions with no terrestrial mobile coverage;
  - attracting new capital to the MSS industry to develop new, much smaller handsets; and
  - reducing per-minute prices and handset costs through increased volume.
- These factors will cause a self-reinforcing upward spiral in MSS subscription and downward spiral in MSS costs.

## **ATC authority will enable MSS to reach more places.**

- The primary benefit of ATC authority is that it will enable the use of ATC phones in urban areas and indoors.
- Existing MSS/terrestrial CMRS handsets have proven to be an inadequate solution to the limited reception of MSS.
  - MSS subscribers tend not to activate the terrestrial capabilities of their phones. Instead, they use smaller, separate terrestrial mobile phones in urban areas.
  - Consumers do not want to have two phone numbers for the same phone and to receive separate bills for the terrestrial and MSS services.
  - MSS licensees have no control over the service quality, customer service, pricing, and billing practices provided by terrestrial providers.
  - Terrestrial/MSS phones are larger as a result of redundant MSS and terrestrial circuitry.
  - The capital markets are not likely to fund additional terrestrial/MSS hybrids. Globalstar and Iridium handsets currently are larger than the state of the art and there is no capital currently available to develop next generation handsets.

## **No additional spectrum is needed to achieve these benefits.**

- Through terrestrial reuse of MSS spectrum, ATC authority will enable MSS licensees to dramatically increase the number of subscribers that they can serve using their existing spectrum assignments.
- The spectrum efficiency gains derived from terrestrial reuse of MSS spectrum also will enable MSS providers to offer new services, without taxing their spectrum capacity.

**Without FCC grant of ATC authority, MSS licensees will be unable to finance the launch of additional first or second generation MSS networks.**

- Globalstar's existing Big LEO MSS network cost about \$4.5 billion to develop and launch. By contrast, the current market capitalization of Globalstar's debt is approximately \$270 million.
- Unless the FCC grants ATC authority to MSS licensees, no new networks will be launched and the American public will lose access to the unique benefit of MSS—ubiquitous mobile telecommunications—when existing MSS satellites expire.

## **MSS phones are used extensively by law enforcement, public safety, and emergency management personnel.**

The list of organizations that use ATC phones has been expanding quickly since September 11:

- Office of Homeland Security
- U.S. Department of Defense
- American Red Cross
- FDNY (Fire Department of New York)
- NYPD (New York Police Department)
- Navy SEAL Insertion Team
- Federal Emergency Management Agency (FEMA)
- US Special Forces
- FAA (through private company, ARNAV)
- State of New York
- State of Nevada
- Orange County, California
- U.S. Federal Protective Service
- U.S. Secret Service
- Federal Bureau of Investigation
- Washington, D.C.'s emergency management agency
- Oxfam
- United Nations Relief and Work Agency
- NASA
- Defense Information Systems Agency
- National Science Foundation
- U.S. Air Force
- Netherlands Coast Guard
- Italian Navy
- Canadian Rangers
- Kativ Regional Government (rural Canada)
- Nunavik Regional Government (rural Canada)
- Brazilian Air Force, Police and Fire Departments
- Kalbarri Volunteer State Emergency Service Unit (Australia)
- Altadena Mountain Rescue Team
- Telecoms Sans Frontieres (int'l NGO)
- San Dimos Mountain Rescue Team
- United Nations Children's Fund (UNICEF)
- United Nations High Commission for Refugees (UNHCR)
- International Red Cross

- With ATC, these agencies will increase their use of MSS phones, thereby enhancing public safety and security throughout the world. Without ATC, when existing MSS networks expire, these personnel will not have access to a ubiquitous telecommunications service that is resistant to localized disasters.
- In addition to direct public safety usage, widely deployed MSS phones can be used by the general public to summon help when required—effectively meaning that criminals have nowhere to hide.

## **The FCC should grant ATC authority to MSS licensees because the net public interest benefits of MSS are significant.**

By adopting two ATC policy principles, the FCC can ensure that no adverse effects will occur to mitigate the public interest benefits discussed above.

1. The FCC should not permit MSS licensees to operate ATC networks unless they are in compliance with applicable MSS coverage requirements.
2. The FCC should prohibit MSS licensees from causing harmful in-band or adjacent-band interference to other licensees as a result of their ATC operations.

**The FCC should not permit MSS licensees to operate ATC networks unless they are in compliance with applicable MSS coverage requirements.**

- This will ensure that operators do not neglect their satellite constellations in favor of ATC services.
- The FCC should require MSS licensees to have launched and to be operating MSS satellite constellations in compliance with coverage requirements prior to operating ATC networks.
- To enforce continuing compliance, the FCC should fine MSS licensees that fail to maintain the applicable MSS coverage requirement.
- The FCC should provide licensees at least 90-days to respond to satellite failures or other technical problems that cause the licensees to fail to comply with applicable coverage requirements.

**The FCC should prohibit MSS licensees from causing  
harmful in-band or adjacent-band interference to other  
licensees as a result of their ATC operations.**

- Different interference concerns apply to the different MSS spectrum bands. Therefore, it is not likely to be possible to establish a single set of technical rules to prevent interference in each of the MSS bands.
- The FCC should not delay granting ATC while it promulgates technical rules for each MSS spectrum band.
- Instead, the FCC immediately should adopt an appropriate harmful interference standard, and only adopt technical rules aimed at preventing such interference as necessary on a case-by-case basis.

## **No additional gating requirements are necessary to ensure the “ancillary” nature of ATC.**

- The only requirements necessary to ensure the “ancillary” nature of ATC are: (i) the enforcement of applicable coverage requirements; and (ii) the adoption of a harmful interference standard.
- Most gating requirements pose disadvantages to MSS providers without providing commensurate benefit to the public.
- Some proposed gating requirements would seriously undermine or eliminate the value and efficacy of ATC authority to MSS licensees.

## Discussion of Proposed Gating Requirements

Proposed Requirement	Impact
Require ATC to route all calls through satellite.	<ul style="list-style-type: none"> <li>• Would require each call to be duplicated: (i) handset to ATC tower link; and (ii) the ATC tower to satellite link.</li> <li>• Would cause ATC calls to consume more resources than satellite calls.</li> <li>• Would limit the capacity of the entire MSS/ATC network to the capacity of the satellites themselves, which would be reduced due to the duplication identified above.</li> </ul> <p><b>Net Result:</b> Extremely spectrally inefficient. ATC will not be utilized.</p>
Require calls to default to the satellite component if it is available.	<ul style="list-style-type: none"> <li>• Because the satellite spot beams are many times larger than even the largest terrestrial cells, this would prevent MSS licensees from realizing significant benefit from terrestrial reuse of spectrum.</li> <li>• Urban users whose calls could be routed over ATC instead will constrain satellite capacity, which capacity then may be unavailable to a rural user.</li> </ul> <p><b>Net result:</b> Extremely spectrally inefficient. ATC will not be utilized.</p>
Require some fraction of calls (e.g. 51%) to be routed over satellites.	<ul style="list-style-type: none"> <li>• Reduces benefits of ATC to consumer (i.e., indoor and urban coverage) and promotes inefficiency by artificially constraining consumer behavior.</li> <li>• Reduces benefits of spectrum reuse to MSS licensee</li> <li>• Places an artificial cap on benefits that can be derived from ATC and thereby provides a disincentive to development of ATC networks.</li> </ul> <p><b>Net result:</b> Decreases benefits derived from ATC. Could prevent ATC buildout.</p>

<b>Proposed Requirement</b>	<b>Impact</b>
Require satellite routed calls to have “priority” over ATC routed calls.	<ul style="list-style-type: none"> <li>Technically challenging, expensive, and time consuming to develop. Thus, if imposed immediately, it will delay the introduction of ATC for a significant period of time and increase the cost of MSS.</li> </ul> <p><b>Net result:</b> <b>Expensive and likely to cause delays in the launch of ATC if initially required. Urban calls will be subordinate to rural calls.</b></p>
Require all calls to be routed through a single “central” switch.	<ul style="list-style-type: none"> <li>Increase terrestrial backhaul requirements which increase costs to MSS licensees.</li> <li>Increases complexity and fallibility of terrestrial networks.</li> </ul> <p><b>Net result:</b> <b>Higher consumer prices and increases ATC service outages.</b></p>
Limit deployment of ATC to urban areas.	<ul style="list-style-type: none"> <li>Deprives Relegates rural users to second class status by depriving them of indoor service in municipal areas large enough to make ATC deployment cost effective.</li> <li>Precludes spectrum use in rural areas.</li> </ul> <p><b>Net result:</b> <b>Harms rural users—the group whom the FCC is trying to protect through rules to ensure ancillary nature of ATC.</b></p>
Impose flat rate (i.e. identical) pricing for MSS and ATC services.	<ul style="list-style-type: none"> <li>Economically inefficient because an MSS call consumes spectrum resources over a far larger geographic area than an ATC call. Consequently, the operator should be able to assign a higher cost to MSS minutes</li> </ul> <p><b>Net result:</b> <b>Inefficient pricing and subsidization of rural users.</b></p>
Require all ATC-capable handsets also be MSS-capable	<ul style="list-style-type: none"> <li>Decrease price of handsets through larger production runs, but increase size of handsets.</li> <li>Reduces demand for service (customers want smaller, less expensive handsets).</li> </ul> <p><b>Net result:</b> <b>Lower handset prices but potentially could reduce customer demand due to larger handsets.</b></p>